

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SAJ-01 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 NEA-10

ACDA-05 AGR-05 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01

PRS-01 SS-15 USIA-06 IO-10 MC-02 FEAE-00 INT-05 CU-02

OES-03 /130 W

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P R 261655Z AUG 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 2394

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY MOSCOW

AMEMBASSY BRUSSELS

AMEMBASSY BERLIN

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

USMISSION USBERLIN

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 13903

E.O. 11652: GDS

TAGS: PFOR, GW, NATO, MPOL

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SUBJECT: THE MOOD IN BONN AFTER VACATION

SUMMARY. AS THE POLITICIANS RETURN FROM THEIR VACATIONS, THE GERMAN GOVERNMENT FACES UNCERTAINTIES AND FRUSTRATIONS. IN THE FOREIGN FIELD, MOST ISSUES THAT SEEM LIKELY TO AFFECT GERMANY'S INTERESTS IN THE NEAR FUTURE (E.G. THE MIDDLE EAST, NATO'S SOUTHERN FLANK, AND THE WORLD ECONOMY) ARE BEYOND GERMAN CONTROL ALTHOUGH NOT BEYOND GERMAN ATTENTION. AT THE SAME TIME, THE COSTS AND COMPLEXITIES OF IMPLEMENTING DETENTE ARE BECOMING MORE OBVIOUS AS ITS BENEFITS ARE MORE TAKEN FOR GRANTED. ON THE INTERNAL FRONT, POLICY DIFFERENCES ON HOW TO COPE WITH GERMANY'S ECONOMIC PROBLEMS CAN GENERATE TENSIONS WITHIN THE COALITION. THEY MAY ALSO TEMPT SOME POLITICIANS TO BLAME US FOR GERMANY'S ECONOMIC PROBLEMS.

THE SAVING GRACE, FROM THE GOVERNMENT'S STANDPOINT, IS THAT THE OPPOSITION HAS TO DATE ONLY NIPPED AT THE GOVERNMENT'S HEELS, GOADING OR HARASSING IT, BUT HAS NOT COME UP WITH A COHESIVE ALTERNATIVE THAT GENERATES WIDESPREAD APPEAL. IN THIS SITUATION, WE WOULD ANTICIPATE AN ELECTORAL YEAR OF JOCKEYING AND MANEUVERING, WITH THE GOVERNMENT MORE INCLINED THAN BEFORE TO LOOK OVER ITS SHOULDER, BUT THERE IS NO INDICATION TO DATE THAT THIS WILL AFFECT GERMAN POLICY TOWARD US. END SUMMARY.

AS POLITICAL LIFE IN BONN COMES BACK TO NORMAL AFTER THE SUMMER HOLIDAYS AND THE 1976 ELECTION CAMPAIGN BEGINS IN EARNEST, A NUMBER OF ISSUES OCCUPY THE THINKING AND ENERGIES OF THE FRG LEADERSHIP.

1. FOREIGN POLICY AND SECURITY ISSUES

IN FOREIGN POLICY THE FRG AND GENSCHER FACE POTENTIAL PROBLEMS AND FRUSTRATIONS AS THEY TRY TO BUILD A RECORD OF ACCOMPLISHMENT FOR THE ELECTION YEAR. THE FRG HAS LITTLE OR NO CONTROL OVER THE IMPORTANT INTERNATIONAL ISSUES THAT CAN AFFECT ITS CITIZENS, WHETHER THOSE ISSUES BE THE WORLD ECONOMY, THE NEAR EAST OR NATO'S WEAKENED SOUTHERN FLANK. THE FRG CANNOT

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STIMULATE THE ECONOMIES OF ALL OF THE EC-9; IT IS HAVING ENOUGH TROUBLE TRYING TO STIMULATE ITS OWN.

GERMANY WANTS TO CONTINUE TO COORDINATE POLICY WITH ITS MAJOR PARTNERS, SUCH AS FRANCE, THE UK, AND THE US, BUT SUCH COORDINATION WILL ONLY PRODUCE RESULTS OVER THE LONG TERM IF AT ALL. NOTABLY, THIS COORDINATION IS NOW TAKING PLACE OUTSIDE OF THE EC FRAMEWORK,

WHICH IS NOT PROVING TO BE EFFECTIVE ON THE ECONOMIC FRONT. ON THE POLITICAL FRONT, THIS COORDINATION, EXCEPT FOR CSCE, HAS BEEN LESS THAN THE FRG DESIRES.

IN THE NEAR EAST THE FRG IS FIRMLY HOOKED TO THE COATTAILS OF THE SECRETARY'S NEGOTIATIONS FOR AN INTERIM SETTLEMENT. HERE AGAIN THE FRG HAS LITTLE CONTROL OVER ITS DESTINY. IT EVEN HAS TROUBLE FINDING MONEY TO PARTICIPATE IN A FINANCIAL ASSISTANCE PACKAGE FOR EGYPT.

IN EASTERN POLICY, GENSCHER IS LOOKING FORWARD TO A SEPTEMBER MEETING WITH GROMYKO AND A TRIP TO WARSAW IN OCTOBER TO SIGN THE AGREEMENTS NEGOTIATED BY SCHMIDT AND GIEREK AT HELSINKI. THEN, HOWEVER, COMES A TRIP TO THE BUNDESTAG, WHERE THESE AGREEMENTS WILL BE HOTLY DEBATED AND STRONGLY CRITICIZED BY THE OPPOSITION. ON THE WHOLE, THE POTENTIAL DIFFICULTIES

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LOOM LARGER THAN PROBABLE ELECTORAL BENEFITS.

SINCE THE HELSINKI SUMMIT, FRG POLICYMAKERS INCLUDING FONMIN GENSCHER HAVE BEEN ENJOYING THE EUROPEAN RITES OF SUMMER FAR REMOVED FROM THE NAGGING IMPLEMENTATION PROBLEMS WHICH WILL ALMOST CERTAINLY BE A LEGACY OF THE CONFERENCE. THE FONOFF HAS BEEN TASKED WITH ANALYZING THE HELSINKI RESULTS AND WILL PREPARE A REPORT ON THE CSCE MEASURES IMPLEMENTED THUS FAR. THE MOST NOTEWORTHY DEVELOPMENT IN BONN SINCE THE SUMMIT WAS A CALL BY A CDU DEPUTY FOR THE GOVERNMENT TO SEIZE THE INITIATIVE IN SEEKING EASTERN, PARTICULARLY GDR, IMPLEMENTATION OF BASKET III MEASURES. GENSCHER PROBABLY WELCOMES THIS GESTURE BY THE OPPOSITION, SINCE IT COULD ENABLE HIM TO MOVE TOWARD A MORE BALANCED POSITION RATHER THAN BEING FORCED ONLY TO TOUT THE BENEFITS OF CSCE.

THE PROBLEMS FACING THE ALLIANCE, IN PARTICULAR THE SITUATION IN PORTUGAL, ARE A SOURCE OF REAL CONCERN AND FRUSTRATION TO THE FRG. WILLY BRANDT HAS URGED THE NINE TO PROVIDE FINANCIAL SUPPORT TO THE GOP IN SPITE OF THE UNCERTAIN POLITICAL SITUATION THERE, AND HE IS THUS OUT IN FRONT OF THE GOVERNMENT. THE GERMANS ARE ALSO CONCERNED ABOUT THE WOUND ON NATO'S SOUTHERN FLANK CAUSED BY CYPRUS. HERE, THE EC INITIATIVE HAS COME TO NAUGHT. THE FRG HAS RECENTLY SIGNED AGREEMENTS TO SHIP SURPLUS MILITARY EQUIPMENT

TO BOTH GREECE AND TURKEY. AT THE SAME TIME, THE GERMANS HAVE MADE CLEAR IN THE CASE OF TURKEY THAT THE FRG CANNOT AND WILL NOT REPLACE THE US AS THAT COUNTRY'S PRINCIPAL SOURCE OF ARMS. THE GERMANS ARE ALSO TROUBLED BY POLITICAL UNCERTAINTIES IN SPAIN.

THE OPPOSITION CAN AND DOES CRITICIZE, BUT TO DATE IT HAS HAD A HARD TIME SHOWING THAT IT COULD DO ANY BETTER. THUS, UNLESS THERE IS AN INTERNATIONAL CRISIS SUCH AS A RENEWED OIL EMBARGO OR UNLESS THE GOVERNMENT STUBS ITS TOE ON THE EMOTIONAL EASTERN FRONT, THE COALITION SHOULD NOT BE EMBARRASSED BY FOREIGN POLICY. BUT NEITHER WILL IT FIND FOREIGN POLICY A FERTILE FIELD

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FOR DEMONSTRATIONS OF PROWESS.

2. DOMESTIC POLITICAL ISSUES.

THE DIFFICULTIES THE GOVERNMENT FACES IN COMING TO GRIPS WITH THE DOMESTIC ECONOMIC SITUATION PROVIDE A TEMPTING TARGET FOR THE CDU AS THE 1976 ELECTION CAMPAIGN BEGINS IN EARNEST. THIS SITUATION COULD ALSO CREATE TENSION WITHIN THE SOCIAL-LIBERAL COALITION. FDP LEADERS HAVE RECENTLY MADE PUBLIC STATEMENTS TO THE EFFECT THAT SOCIAL REFORMS (DEAR TO THE HEARTS OF SPD MEMBERS) SHOULD BE AVOIDED AS THEY COULD HINDER THE INVESTMENT CLIMATE. THE LIBERALS AND THE SOCIAL DEMOCRATS MAY ALSO DISAGREE ON WHERE AND HOW TO REDUCE GOVERNMENT SPENDING, GIVEN THE DIFFERENCES IN THE INTEREST GROUP STRUCTURE OF THE TWO PARTIES. IN AN ATTEMPT TO FORESTALL A PUBLIC SQUABBLE, SOME PROMINENT LIBERAL AND SOCIAL DEMOCRATIC POLITICIANS HAVE DECLARED THAT CUTS IN GOVERNMENT SPENDING SHOULD BE SPREAD ACROSS THE BOARD IN ORDER TO EQUALIZE THE SACRIFICE. THIS HAS NOT, HOWEVER, QUIETED CRITICISM FROM THE OPPOSITION NOR FROM THE LEFT WING OF THE SPD.

COPING WITH THESE DOMESTIC ECONOMIC PROBLEMS, AND CREATING A SENSE THAT THE ECONOMY IS ON THE UPSWING, IS LIKELY TO BE VERY MUCH ON THE MINDS OF SCHMIDT AND GENSCHER IN THE MONTHS AHEAD. THE BELIEF BY CHANCELLOR SCHMIDT AND OTHERS THAT THERE IS A DIRECT LINK BETWEEN THE HEALTH OF THE US ECONOMY AND THE PROSPERITY OF THE FEDERAL REPUBLIC INSURES THAT NOT ONLY WILL GERMAN POLITICIANS FOLLOW ECONOMIC DEVELOPMENTS IN THE US CLOSELY, BUT THEY CAN BE EXPECTED (PARTICULARLY WHEN THERE IS POLITICAL MILEAGE TO BE GAINED) TO BLAME THE US FOR AT LEAST SOME OF THE FRG'S ECONOMIC DIFFICULTIES.

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